

Sustainability: a transparent dialogue with your customers

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Chief Executive Officer  
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MODERATOR: Our next speaker is Fedele Bauccio. He is CEO of Bon Appétit Management Company. Fedele began his career as a dishwasher in 1960 with the Saga Corporation's Education Division while a student at the University of Portland. Since then he cofounded in 1987 the Bon Appétit Management Company.

He has been recipient of several prestigious awards. To name just a few recent ones, in 2008 he was named 2008 Innovator of the Year by Nation's Restaurant News. In 2009 he received the prestigious Going Green Award by the Natural Resource Defense Council.

He also chairs or serves on several boards, such as he is chairman of the University of San Francisco Hospitality Management Board, he serves on the President's Advisory Council of the University of Portland, and he's a member of the Pew Commission on Industrial Animal Husbandry.

His presentation today is entitled

**Sustainability, a Transparent Dialog with our Customers.**

MR. FEDELE BAUCCIO: It's still morning, so good morning, everybody. I'm thrilled to be here. I thought this morning that those of you who have heard me before probably know that I can be provocative and I can cause some problems, but I'll try to not cause too many problems today. I want to just give you an overview of our company so you get a sense of the kind of customers and how many customers we deal with on a daily basis, and then talk a little bit about the concerns that we hear day in and day out so that you can think about those challenges for the future and what consumers are saying to us in the restaurant, food service side of the world.

So let me begin by telling you that 24 years ago now I started Bon Appétit Management Company with the dream that I wanted to create a restaurant company that would work in the contract environment. I felt what we were doing with higher education and feeding students was appalling. I thought what we were doing with feeding corporations was also disgusting. And I was trying to create a company that would do really great food that was fresh, seasonal, somewhat healthy at that time, although that wasn't a buzzword there, but I always believed that if you did things from scratch it would be healthier. And I wanted to create a company that could make a difference.

So today we have over 400 locations in 30-some states, are approaching just under \$600 million in revenues. We have a little over 10,000 employees. And the most important thing for you to understand is that last year we served over 120 million meals across the country. So I think I have a pretty good sense of what people like and what they are saying to us.

So I don't want this to be an advertisement about Bon Appétit, but one more slide and then we'll get into some of my concerns. One thing that was important to us as we began the company and we moved into these initiatives of sustainability was, we had to redefine what sustainability was. We used the United Nations definition for awhile, and I felt it didn't really say anything, at least to our chefs and managers, and it didn't fit the culture of what we were trying to accomplish.

So this is our definition for sustainability for food service: "Food choices that celebrate flavor, affirm regional cultural traditions, support local communities, without compromising air, water or soil, now and in the future."

That was something that our people could get around and understand and think about when they started to source products. So that's why it was important for us for that definition.

We came upon this food services of a tagline of a sustainable future as a culinary act, not a political act, way back in the mid-'90s. Our chefs came to us and said, You know, we are losing flavor on our plates. Tomatoes don't taste the way they used to. Apples don't taste the way they used to. If we're going to really create seasonally fresh food, then we need to go out and talk to farmers and local artisans within our communities and buy products from them."

So at that time, I took a deep breath and said, "Okay, go find the farmers and the artisans and prove to me that flavor is going to be there, and we're going to create even better food than we are doing today."

And they did just that. So this culinary act turned into this model that we felt strongly about, and in 1999 we decided we were going to message this to our consumers and customers and tie a ribbon around it. And we are the first ones, I believe, in the industry to talk about this thing called "farm to fork" that everybody talks about today. We've been doing this a long time.

And the biggest issue we had, just so you know, was that farmers and local artisans didn't trust us. If I said to them, "Grow all the arugula that you can grow and I'll buy it all from you out of your four or five acres," they looked at me skeptically. "Am I going to get paid? Is this guy going to go away, blah, blah, blah, if I do all that? Do I really trust?"

So it took us many years to convince farmers and local artisans to grow the things that we wanted, and they started to understand that we would buy everything from them. In fact, I would buy as much as I possibly can. The problem is, we can't get enough, so Future Family Farmers of America, there you are.

So we started with Farm to Fork, and I won't go through these. We're going to talk about a few of them as we go into the questions, but we have partnered with a number of NGOs so that we have science behind it. For example, the antibiotics issue with environmental defense, the seafood watch issue which I care a great deal about with the Monterey Bay Aquarium and a number of other NGOs, to create this timeline. You can get a sense that we've been doing the sustainability issue a long time, and it's driven the growth of the company very, very well.

So a few questions that I wanted to throw out today and tell you a little bit about what we do, how we answer it, how we've done it as a company, and what I think the challenges will be for all of us in the future.

The first question that comes to mind that we hear all the time is, Where does my food come from? They talked about that this morning. Is it local, is it being shipped? Where does it come from, and by whom is it grown? So that's a major question that is answered. And by the way, let me tell you that we feed over 200 corporations across the United States, companies like Google and Yahoo and eBay and Oracle and on and on, companies in the Midwest, oil companies in Texas. But we also feed over 200 colleges and universities where young people really are concerned about these questions, and to me they really get it. And they become my customers at Google tomorrow.

We also have about 40 to 50 eclectic restaurants across the country, so we're also dealing with the retail consumer side of it too.

So these questions come not only from college students and corporations that we feed, but everybody. What we've done about that question is we've said, "Okay, you saw the Farm to Fork slide, we do purchase at least 20 percent of our local ingredients from small farms within 150 miles of those communities. It's not always easy to do. We've had to build greenhouses, we've had to work by putting dairies back into business. We've had to partner with people. We have to gain their trust.

In some states we can do better than 20 percent, but when you are in Minnesota in the wintertime, it's very, very difficult. I would like to see that continue to grow so that we can source as much product as we can from the local communities within 150 miles. It's something consumers want to understand and know about today.

I think the other thing that is important is, who grows it, who picks our agriculture? What is the human cost of feeding America?

We learned a big lesson, and most of you probably read in the *Gourmet Magazine* about the slavery that was going on in Florida with the broccoli workers. That is actually true. I was in those fields with some of our people, and spent two days with those workers watching them pick, looking at their housing, seeing the trailers where they were locked up and chained and not being able to go back to their homeland because they were afraid of their families would suffer. It's a shame what was going on with the undocumented workers that were picking our agriculture that you and I eat every day.

When I saw that tragedy, I said to the growers in Florida, I am going to boycott tomatoes. We are not buying one tomato from any of you unless you sign a code of conduct that we created while we were in the fields with those two, with the workers. We only had one. It took a couple of months but it only had one grower step up to that code of conduct. Now yesterday I read that we are starting to see more growers step up. But unless we vote with our pocketbooks and we deal with these situations, these things are not going to change, and as we know the immigration system is broken in a thousand ways, and a lot of it has to do with agriculture. It's all tied together.

And as we learned this lesson, we went around the country and looked at other places, and I can assure all of you that there are many mistreated workers across the United States picking agriculture. It's something we try to shy away from, and we don't talk about, but it's something that the USDA and all of us need to worry about for the future.

It's really important.

So the remaining challenge from my standpoint on what we talked about, the unfair labor practices and that veil of silence that needs to go away. But there's another issue, and that is if I want my customers to understand that we are really a sustainable company, there is a lack of transparency in the supply chain, for me to understand where that product comes from. If I get a tomato and it's gone to three re-packers, I can't tell what farm it came from. So there's an inconsistent problem in tracking commodity products from my standpoint, and I can't really communicate that to the customers in the way that I feel really good about so we can audit what's going on if there's issues.

The other question that we get all the time is, what is your business carbon footprint? How do I know that Bon Appétit is an environmentally responsible company? We did create the low carbon diet. Some of you in Washington probably read about it. It was on the front page about what we did and also the *LA Times*. I think we did this in 2007. We recognized after a couple of years of science and studying, and I'm not telling you anything new, that the food house systems contribute too much, one-third of total greenhouse gas emissions on a global basis. And livestock contributes 18 percent of all greenhouse gas emissions, which exceeds the transportation sector. To us that was shocking. We said, as a company we should do something about it.

So we created this low carbon diet where we had a number of initiatives for our chefs and our managers, and we were able in two years to reduce beef purchases by 33 percent and cheese by 10 percent. And as you know, livestock or mostly ruminants have methane gas that they are naturally cough up which is very, very powerful, more powerful than CO<sub>2</sub>. So that was the reason for this. We did this without affecting revenues and without affecting customer satisfaction, just by giving really great choices so that consumers would pick those choices over beef or not have beef as often.

We now purchase all of our meat, vegetables and bottled water from North America, no tropical fruit. We've eliminated 90 percent of our air freighted seafood and we've reduced waste by 20 percent. So I think we've done a good job with that low carbon diet.

And the challenges that we still have are some of the same things I talked about, the inadequate data collection in the infrastructure. We don't know how our food comes to us, whether it's by truck, trail or rail, and when we ask suppliers we don't always get it. And when we ask Rick's company Cisco, we get it, and when we ask other companies we can't get it. So there's a lot of issues with us in the food service side of it, especially in the labeling issue of where food comes from and the data collection which I think is important.

And the last question that we get that we hear all the time is, is the food safe? How do I know that I'm not going to get sick when I eat your hamburger? So what have we done about it as a company? We've done a number of things. We created quality assurance teams across the United States in all those locations. We worked very hard on safe food handling training for all of our employees. But the biggest thing I think we've done that I feel strongly about is that we have banned all non therapeutic antibiotics from protein in our locations. I feel strongly about this. I testified in front of Congress about this that 70 percent of the antibiotics in this country are used for animals, and we are ingesting that. And when we really need it, we're going to have a problem. And I don't know why we can't solve that problem and get this thing passed and get people to step up and say, This

is wrong, we're not going to ingest any antibiotics and use them for growth promotion because we have an economic agricultural farm model that works.

What we're doing is, harming ourselves. And when we need those antibiotics, they are not going to do us any good. So we've worked very hard. All of our poultry, chicken and turkey, all of our beef is without added hormones. We've had to change the supply chain with large companies. Pork is still an issue, and there's not enough supply for me just to buy pork without antibiotics still in this country, which is a shame.

We've also gone to a solid muscle. When we buy hamburger we buy it from a solid muscle, so I can sleep at night, and I know there's no issues of e-coli. And thank God. In 24 years we've never had one incident, which is really great for our team and our company.

So the remaining impacts, the challenges, are, we still have waste management problems. I'm being on the Pew Commission as you heard, I have some strong feelings about concentrated animal feeding operations. Not that they are bad, but what they are doing is bad. And I'm not saying that concentrated animal feeding operations should be banned. What I am saying is, we need to fix the problems we have in terms of waste, in terms of nitrogen run-off.

The issues of animal welfare and gestation crates, and I'm going to tell you, my customers care about those issues and ask questions. These things are not going to go away. They are going to be with us for a long time, and so we all have to work to figure out how we're going to solve this.

The other challenges and concerns finally are, I hear about animal welfare all the time. I hear about sustainable seafood. Is it farmed salmon or is it wild? And why shouldn't it be, why do we only eat wild and why we don't serve farmed salmon in our company, and we have to message and make them understand why. We follow the Seafood Watch at the Monterey Bay Aquarium. But if we don't fix the seafood issue, all commercial seafood will be extinct by 2048. That's right around the corner. So we're going to have some real issues with that problem.

Water we've already talked about. And of course everybody knows about the whole issue of obesity and empty calories. So I really think that if we can work hard to create small farms and small producers, we can deal with fresh food, we can create regional food sheds in this country that will go a long way to solving a lot of these problems that we all face day in and day out.

I'm going to leave you with one thought. Wendell Berry, America's poet and Scotch defender of small-scale farming said, "Eating with the fullest pleasure is perhaps the profoundest enactment of our connection with the world. It is in this connection with consumers, the communities in which we work, and the environment that I hope will help us attain a sustainable future as we move forward." Thank you.

[Applause]